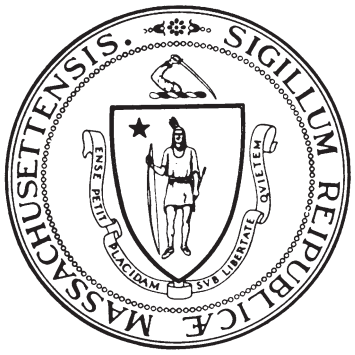
Massachusetts Division of Health Care Finance and Policy

Uncompensated Care Pool PFY04 Utilization Report

December 6, 2004

Paul J. Cote, Jr., Commissioner



Mitt Romney, Governor
Commonwealth of Massachusetts

Ronald Preston, Secretary
Executive Office of Health and Human Services

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Division of Health Care Finance and Policy
Two Boylston Street
Boston, Massachusetts 02116-4704

(617) 988-3100 (Phone)
(617) 727-7662 (Fax)

Web Site: www.mass.gov/dhcfp

Contributing Staff: Beth Perry, Caroline Washburn, Susan Madden, Benson Chin, Richard Fitzmaurice, Gordon Wong, Michelle Anderson
Design & Production: Heather Shannon
Distribution & Library: Shelley Fortier

Uncompensated Care Pool PFY04 Utilization Report

Statutory Mandate

Chapter 26 of the Acts of 2004, lines 4100-0060, included the following provision to which this report responds.

"...provided further, that the division shall submit to the house and senate committees on ways and means not later than December 6, 2004 a report detailing utilization of the Uncompensated Care Pool; provided further, that the report shall include:

1) the number of persons in the Commonwealth whose medical expenses were billed to the Pool in Fiscal Year 2004;

2) the total dollar amount billed to the Pool in Fiscal Year 2004;

3) the demographics of the population using the Pool, and;

4) the types of services paid for out of the Pool funds in Fiscal Year 2004;

provided further, that the division shall include in the report an analysis on hospitals' responsiveness to enrolling eligible individuals into the MassHealth program upon the date of service rather than charging said individuals to the Uncompensated Care Pool..."

A Word About the Data

This is the third annual report submitted by the Division of Health Care Finance and Policy (DHCFP) on utilization of the Uncompensated Care Pool (the Pool), and covers Pool Fiscal Year 2004 (PFY04).[1] As required by statute, this report provides information on the number of individuals using the Pool, the total dollar amount billed to the Pool, the demographics of Pool users, and the types of services paid for by Pool funds during PFY04.

The data used for this report include eligibility and demographic data on individuals applying for free care, and claims data on the clinical services paid for by the Pool. Eligibility data are collected by DHCFP's electronic application software, and claims data are submitted in UB-92 claims format by each provider. Consistency and validity of the data are ensured through a series of quality edits applied to the data. In addition, free care claims are matched to their corresponding free care application in order to verify the legitimacy of the claim. DHCFP also takes special steps to ensure that it can identify an unduplicated number of Pool users by using sophisticated algorithms and matching patient identities across providers. Further information on the data is provided in Appendix.

Because there is a two-month lag in reporting requirements, the claims and eligibility database used for this report contains data only for the first eleven months of the Pool year (October 1, 2003 through August 31, 2004). When appropriate, values for the full year have been extrapolated from the data and are noted in the report.

[1] The 2004 Pool Fiscal Year (PFY04) runs from October 1, 2003 through September 30, 2004. Any claims billed to the Pool during that time, or free care applications used to determine an individual's eligibility during those months, are considered to be PFY04 data.

Number of Individuals Served by the Pool[2]

In PFY04, medical expenses for an estimated 481,564 individuals[3] were billed to the Uncompensated Care Pool.[4,5] Seventy-five percent (75%) of these services were submitted to the Pool by hospitals as regular free care claims. Of this regular free care, the Pool was the primary payer for 87% of services.[6] Hospital emergency bad debt (ERBD) claims represented another 12% of Pool volume in PFY04. Services provided by freestanding community health centers represented another 13% of service volume.

[2] The number of individuals is extrapolated from 11 months of data; the percentage distribution contained here is the actual distribution for the 11 months of PFY04 that were available.

[3] These individuals include Massachusetts residents who received medically necessary care, as well as out-of-state residents who received urgent and emergency services charged to the Uncompensated Care Pool.

[4] Figures reported in this section are the result of a method that is designed to produce unduplicated counts from the data submitted by providers. In order to avoid double counting among types of claims (e.g., ERBD, inpatient, etc.), users were assigned to the category of the most recent claim submitted for services used by that patient.

[5] Caution should be taken when comparing this Pool user count with a count of the number of uninsured individuals in the Commonwealth based on survey results. The Commonwealth's survey, like most surveys of the uninsured, asked whether an individual was uninsured on a particular date, rather than whether the individual had been uninsured at any point during a one-year period.

[6] The Pool is the secondary payer when another public or private insurer is the principal or primary payer; the balance for which the eligible low-income patient is responsible can then be charged to the Pool.

Total Amount Billed to the Pool

In PFY04, the Division of Health Care Finance and Policy projects $712.6 million[7] in allowable free costs to be billed by hospitals to the Uncompensated Care Pool. Community Health Centers (CHCs) have billed for $36.9 million in payments during PFY04.

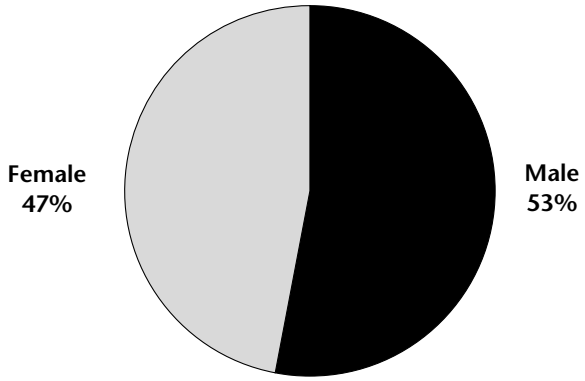
Uncompensated Care Pool payments are limited to the amount of funding that is available in each Pool fiscal year.

[7] This estimate is an extrapolation from the first 11 months of data. For the actual amounts from the 11 months, see Figure 6. The $712.6 million in hospital allowable free care costs represents $1.42 billion in estimated free care charges. Costs are subject to audit and final settlement.

Pool User Demographics[8]

The eligibility and clinical services databases provide information about the characteristics of the individuals who relied on the Pool to cover the costs of their health care needs during PFY04. As the data on the following pages indicate, the majority of Pool users were single, childless adults ages 19 to 64, with very low incomes.

Figure 1: Percent of Total Charges to the Pool by Gender, PFY04



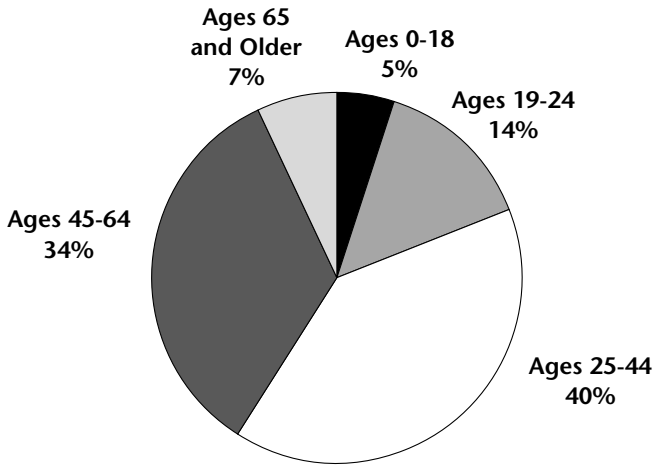
Source: DHCFP Uncompensated Care Pool claims data

Slightly more than half of the charges to the Pool[9] were for male users.

[8] Data in this section is extrapolated based on the 11 months of available data from PFY04. For additional information on Pool data sources, see Appendix.

[9] Charges to the Pool include charges for both free care and emergency bad debt (ERBD). The charges are net of payments made by other payers, or other third party liability recoveries. The Pool is always the payer of last resort.

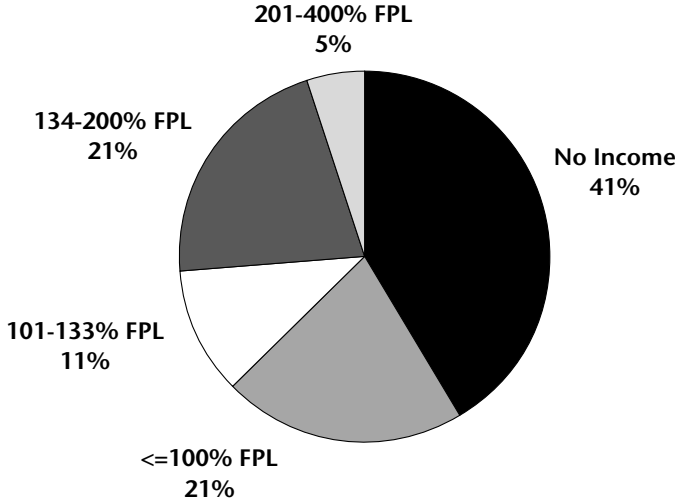
Figure 2: Percent of Total Charges to the Pool by Age Group, PFY04



Source: DHCFP Uncompensated Care Pool claims data

The greatest share of charges to the Pool was for young adults ages 25 to 44. Eighty-eight percent (88%) of charges were for the entire non-elderly adult population ages 19 to 64. Males ages 25 to 44 generated the largest share of charges (20%).

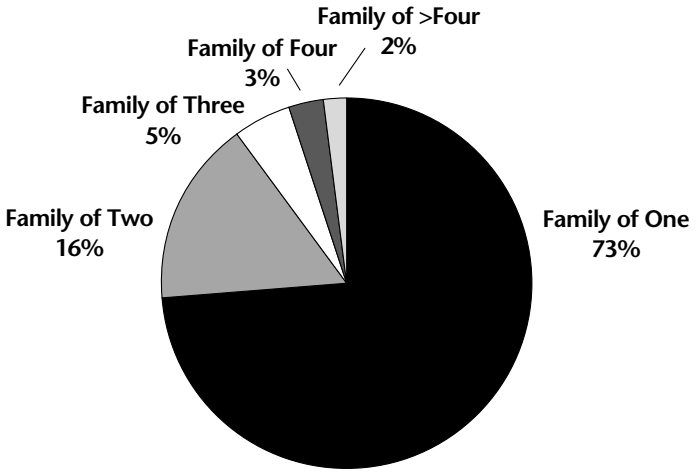
Figure 3: Percent of Total Charges to the Pool by Reported Family Income*, PFY04



Source: DHCFP Uncompensated Care Pool claims and eligibility data
*Includes only claims that are matched to a free care application, and therefore excludes ER bad debt claims (for which there are no applications).

The proportion of Pool users reporting no income has increased significantly since PFY03. Last year, 12% of total charges to the Pool were for Pool users who reported no income; in PFY04 that proportion increased to 41% of total Pool charges.

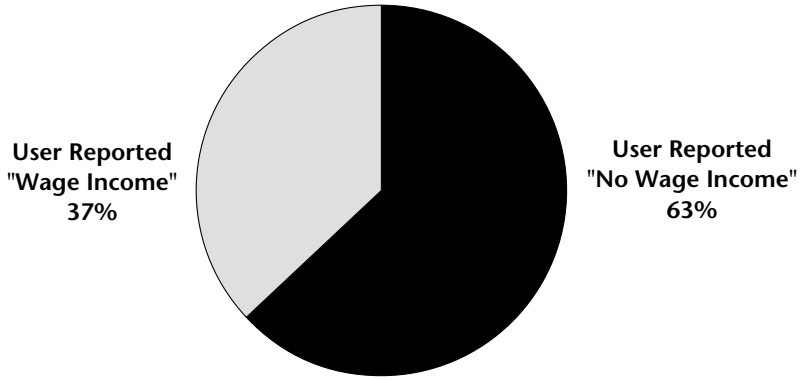
Figure 4: Percent of Total Charges to the Pool by Family Size*, PFY04



Source: DHCFP Uncompensated Care Pool claims and eligibility data
*Includes only claims that are matched to a free care application, and therefore excludes ER bad debt claims (for which there are no applications).

Seventy-three percent (73%) of charges to the Pool were generated by single individuals and an additional 16% were generated by two-person families, comprised of two adults or an adult and child. Combined, one- and two-person families generated 89% of charges to the Pool.

Figure 5: Percent of Charges to the Pool by User's Self-Reported Employment Status*, PFY04



Source: DHCFP Uncompensated Care Pool claims and eligibility data
*Includes only claims that could be matched to free care applications.

More than half (63%) of the charges to the Pool were for services to individuals who reported "no wage income."

Services Paid for by the Pool

Figure 6: Claim Count and Charges to the Pool by Type of Claim, PFY04 (October 2003 – August 2004)

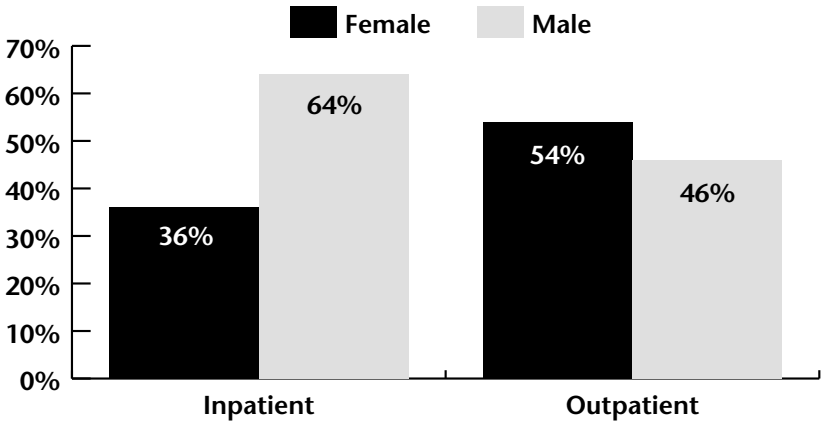
	Service Volume	Percent	Total Charges to the Pool (excluding CHCs)	Percent
Total Admissions/ Visits	**1,580,833**	**100%**	**$1,198,980,261**	**100%**
Total Inpatient Admission	39,958	3%	$443,628,582	37%
Total Hospital Outpatient Visits	1,540,875	97%	$755,351,679	63%
Total CHC Visits	231,303	15%	na	na
Total ERBD Claims	214,175	14%	$216,161,301	18%
Total Regular FC Claims	1,366,658	86%	$982,818,960	82%
Total Outpatient Visits	**1,772,178**	**100%**	**$755,351,679**	**100%**
Outpatient Pharmacy	404,779	23%	$101,200,591	13%
Outpatient ED Visits	308,828	17%	$260,050,167	34%
Outpatient Clinic Visits	436,737	25%	$140,499,483	19%
Outpatient Ambulatory Surgery Visits	18,456	1%	$60,194,702	8%
Other Outpatient Visits	372,075	21%	$193,406,736	26%
Free-standing CHC Visits	231,303	13%	na	na

This table summarizes the PFY04 patient-level clinical services data currently available in the DHCFP database (i.e., the first 11 months of PFY04). These data, submitted to DHCFP in a UB-92 claim format, represent approximately 90% of all allowable free care charges billed to the Pool by hospitals on their monthly forms.

Although only 3% of claims submitted to the Pool were for inpatient services, charges for these services represented 37% of the total charges to the Pool. The majority (82%) of Pool claims were for outpatient services, but these claims represented 61% of charges to the Pool. The remaining 15% of all claims were generated by CHCs. Claims for emergency bad debt (ERBD) represented 14% of all Pool claims and 18% of total charges to the Pool.

[10] Outpatient pharmacy claims are identified in the database as any outpatient claim in which there are *only* pharmacy charges, as indicated by a pharmacy revenue code. If a pharmacy charge occurs along with other services (i.e., ER, ambulatory surgery, clinic), it is included within the charges for that service. No details on the type of medication are available on the claim.

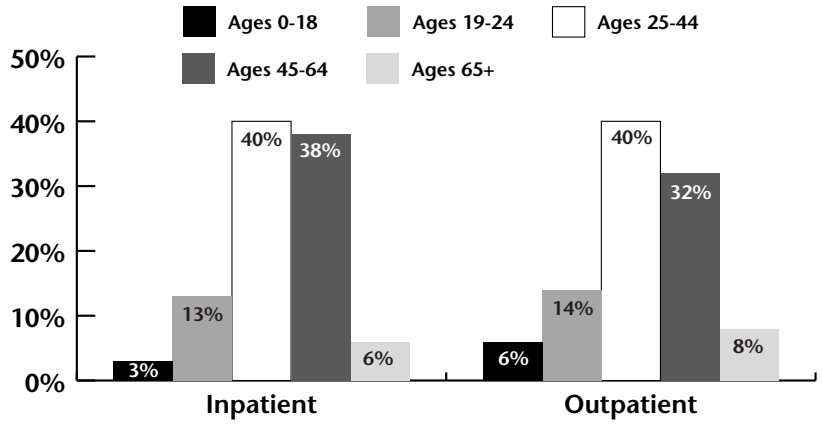
Figure 7: Percent of Charges to the Pool by Type of Claim and Gender, PFY04



Source: DHCFP Uncompensated Care Pool claims data

Services for males generated a significantly larger proportion of inpatient charges, while services for females represented slightly more of the outpatient charges.

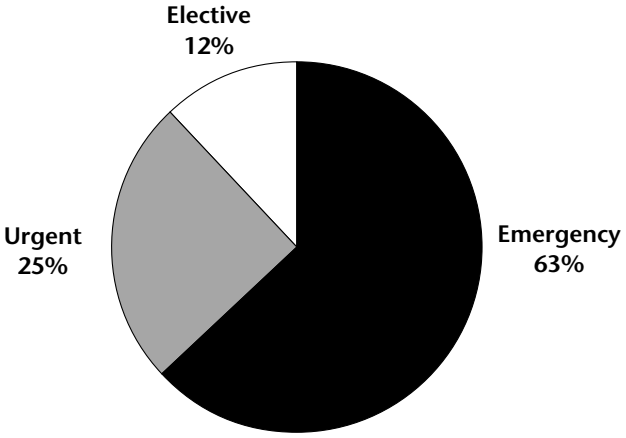
Figure 8: Percent of Charges to the Pool by Type of Claim and Patient Age, PFY04



Source: DHCFP Uncompensated Care Pool claims data

Pool users ages 25 to 64 represented the majority of both inpatient and outpatient charges to the Pool.

Figure 9: Percent of Inpatient Admissions by Admission Type*, PFY04



Source: DHCFP Uncompensated Care Pool claims data
*Admission type excludes patients with pregnancy-related diagnoses (MDC 14 and 15).

Almost two thirds (63%) of free care inpatients are admitted as emergencies, a quarter (25%) for urgent care, and a smaller share (12%) for elective procedures. It is important to note that "elective" indicates that the service was scheduled ahead of time; it does not indicate that the service was not medically necessary. For example, most surgeries to remove cancerous tumors are scheduled, and thus characterized as elective procedures.

Figure 10: Inpatient Major Diagnostic Category[11] for Free Care Patients, PFY04 (percent of total charges)

Pool Rank	MDC	Percent
1	Circulatory Diseases and Disorders	16%
2	Mental Diseases and Disorders	10%
3	Digestive Diseases and Disorders	9%
4	Alcohol/Drug Use and Induced Organic Mental Disorders	8%
5	Respiratory Diseases and Disorders	7%
6	Musculoskeletal Diseases and Disorders	7%
7	Nervous System Diseases and Disorders	7%
8	Hepatobiliary Diseases and Disorders	5%
9	Injuries, Poisonings and Toxic Effects of Drugs	3%
10	Kidney and Urinary Tract Diseases and Disorders	3%
	Total for Top Ten MDCs	**77%**

Discharges for circulatory diagnoses represented the largest share of inpatient charges for Pool patients. Taken together, discharges with a primary diagnosis of mental health or alcohol/drug use related mental disorders represented the most common type of discharges (18%).

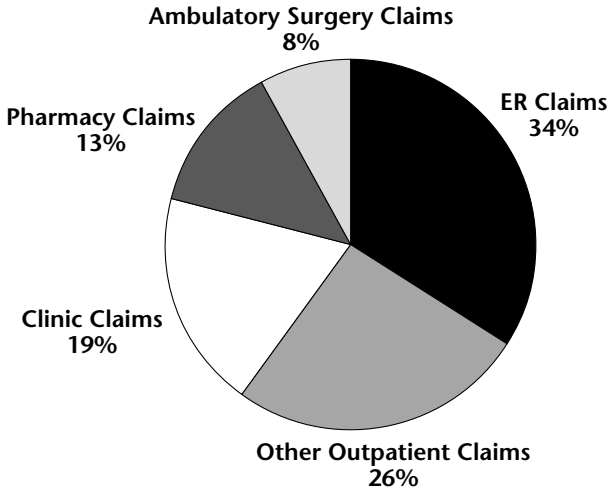
[11] Inpatient diagnoses are classified into one of twenty-five major diagnostic categories (MDC). Discharges are grouped into MDCs using 3M's All Patient DRG Grouper, version 12.

Figure 11: Characteristics of the Inpatient Free Care Population, PFY02 to PFY04

	PFY02	PFY03	PFY04
Case Mix Index	1.49	1.68	1.73
Average Length of Stay	4.44 days	5.63 days	7.61 days

The case mix index represents the amount of resources required to treat a given population. It is implied that the level of resources a patient requires is an approximation of their acuity level (i.e., level of illness). A case mix index of 1.00 suggests a given patient uses an average amount of resources, while a case mix of 2.00 implies a patient requires double the amount of resources. According to this table, free care patients used more resources, on average, each year compared with the previous year. In addition, the average length of stay increased significantly from PFY03 to PFY04.

Figure 12: Percent of Charges to the Pool by Outpatient Service Type*, PFY04



Source: DHCFP Uncompensated Care Pool claims data
*Outpatient pharmacy claims are claims with charges for pharmacy only. Pharmacy charges that occur with other services would be included in one of the other categories.

The largest proportion of outpatient charges to the Pool was for ER services (34%). Another 19% of outpatient charges were for clinic services. "Other outpatient claims" include charges for ancillary services that may have been provided in conjunction with an emergency, ambulatory surgery, or clinic visit, but were billed separately.

Hospital Responsiveness to Enrolling Patients in MassHealth

Prior to October 1, 2004, DHCFP regulations required acute hospitals and free-standing community health centers (CHCs) to screen patients for other sources of coverage and potential eligibility in government programs before approving them for free care.

The free care application software requires providers to report a patient's MassHealth status as part of the screening process. The free care application links directly to the MassHealth recipient eligibility and verification system (REVS). REVS allows providers to search the MassHealth enrollment database to verify a patient's MassHealth enrollment. The Division of Health Care Finance and Policy conducts annual provider audits to analyze compliance with its MassHealth screening requirements, and to ensure that providers assist patients with the MassHealth application process.

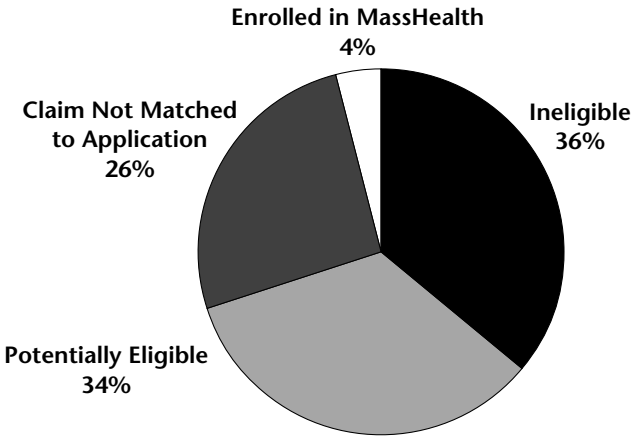
Effective October 1, 2004, the beginning of PFY05, applicants to the Pool are required to apply for MassHealth before a free care determination is made. Patients applying for free care no longer have the option to forgo applying for MassHealth. Providers may no longer bill the Pool for services provided to patients who do not apply for MassHealth.

The Executive Office of Health and Human Services has also launched the Virtual Gateway, a new screening and application tool for health and human services. Providers will be transitioned to the Virtual Gateway throughout PFY05. The Virtual Gateway application tool is designed so that a patient cannot apply for free care without first applying for MassHealth. The Division of Health Care Finance and Policy expects that full deployment of the Virtual Gateway will significantly reduce non-compliance with its MassHealth screening and enrollment requirements. The Division estimates that approximately 35% of total Pool charges may be attributable to patients eligible for MassHealth and 24% of Pool users may be MassHealth eligible.

The Pool may be charged for patient care under many different circumstances. The largest group of Pool users is low-income, uninsured individuals who appear to be ineligible for MassHealth. For low-income individuals, the Pool also may be charged for:

- services not covered by other programs (e.g., MassHealth Limited and Children's Medical Security Plan);
- services provided prior to MassHealth eligibility and enrollment dates;
- services provided to patients who apply for MassHealth after having received services;
- balances after insurance for non-public payers;
- balances after insurance for Medicare patients;
- seniors ineligible for Medicare;

Figure 13: Percent of Free Care Charges to the Pool by Potential Eligibility for MassHealth, PFY04



Source: DHCFP claims and application database

Over one-third (34%) of Pool charges are attributable to patients potentially eligible for MassHealth.

- bad debt resulting from emergency services provided to uninsured patients (patients for whom no application form was completed);
- partial free care for individuals with incomes 200% to 400% FPL; and
- patients whose medical expenses in one year are large enough to qualify as "medical hardship."

Using demographic information provided on the free care application, the Division of Health Care Finance and Policy has developed an algorithm to identify Uncompensated Care Pool users who are potentially eligible for a MassHealth program. Although the information is not sufficient to make an eligibility determination, it is sufficient to identify individuals who are clearly ineligible for MassHealth, as well as those who are potentially eligible for one or more MassHealth programs.

Appendix: Data Notes

Data used in this analysis were drawn from the following sources:

Monthly Reports from Hospitals and Community Health Centers (CHCs)

Each month, hospitals and CHCs report their free care charges to the Division of Health Care Finance and Policy. Hospitals use the UC form and CHCs use the PV form. The UC form is an aggregation of monthly hospital charges, the PV form details monthly visit activity for CHCs as well as certain charge activity. The UC forms are matched to each hospital's submitted claims collected in the DHCFP claims database.

Pool Claims Database

Hospitals and CHCs began electronic submission of data elements in UB-92 claims format to the Division of Health Care Finance and Policy in March, 2001. During PFY03, the Division began penalizing hospitals that submitted incomplete data. As a result, compliance with data submission requirements has improved dramatically. Although variability exists among providers, the charges to the Pool reported in the claims database equal approximately 90% of the charges reported by hospitals in their monthly statements submitted to the Division for payment purposes.

Pool Applications Database

Hospitals and CHCs began submitting electronic free care application forms to the Division in October 2000. Note that the application contains data as reported by the applicant, with documentation required from the applicant to verify income and residency.

Matched Pool Applications and Claims Database

To the extent possible, the Division matches free care claims to the corresponding free care application. Matching is based on the social security number or tax identification number when available. Additional matching uses an algorithm based on other available data such as phonetic last name, phonetic first name, date of birth, provider, etc. Since there are no applications associated with emergency bad debt (ERBD) claims, ERBD claims data are excluded from the match. Approximately 86% of claims data has been matched to applications.

Production Notes

Uncompensated Care Pool PFY04 Utilization Report was researched and produced by the Massachusetts Division of Health Care Finance and Policy. The Division is solely responsible for its content and distribution. Publication design, editing, page layout and the originals for this document were produced in-house using cost-effective, electronic desktop publishing software and microcomputer equipment. This report was prepared for general distribution at the Division.

Division of Health Care Finance and Policy
Two Boylston Street
Boston, Massachusetts 02116-4704
(617) 988-3100
www.mass.gov/dhcfp

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